



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|  |   |                      |
|--|---|----------------------|
| ----- In the Matter of -----                   | ) | Docket No. 2008-0273 |
|  | ) |                      |
| PUBLIC UTILITIES COMMISSION                    | ) |                      |
|  | ) |                      |
|  | ) |                      |
| Instituting a Proceeding to Investigate        | ) |                      |
| Implementing a Decoupling Mechanism for        | ) |                      |
| Hawaiian Electric Company, Inc., Hawaii        | ) |                      |
| Electric Light Company, Inc. and Maui Electric | ) |                      |
| Company, Limited.                              | ) |                      |
| _____  | ) |                      |

HAWAII RENEWABLE ENERGY ALLIANCE COMMENTS

ON THE

NATIONAL REGULATORY RESEARCH INSTITUTE SCOPING PAPER ON DECOUPLING

The Hawaii Renewable Energy Alliance ("HREA") respectfully offers the following comments, per the Commission's letter dated January 21, 2009, on the National Regulatory Research Institute's Scoping Paper entitled: *"Decoupling" Utility Profits from Sales: Design Issues and Options for the Hawaii Public Utilities Commission* ("Scoping Paper").

Following our review, HREA found the Scoping Paper to be an excellent summary and primer on Decoupling Mechanisms as presently understood. We would like to thank the Commission for contracting with NRRI for the Scoping Paper as part of this Proceeding and the author, David Magnus Boonin of NRRI, for a job "well done." We especially thank him for sharing for his insights into the alternative decoupling mechanisms, and how they might be applied to Hawaii.

At this time, HREA has a few general comments as provided below. We anticipate addressing more issues in our detailed response to the questions in Appendix 2 of the Scoping Paper.

1. **Principles of Decoupling.** The author has discussed a number of foundational concepts that HREA believes might fall into the category of principles in decoupling, e.g., goals to:

- a. protect “earnings” of the utility in the face of declining sales,
- b. encourage energy efficiency and demand reductions whether facilitated by the utility or a third party, and
- c. mitigate impacts to the ratepayer.

However, HREA questions whether decoupling can accomplish all these goals, especially in Hawaii where our energy bills are so tied to the price of oil. That said, HREA is wondering whether some form of decoupling can be employed to:

- a. encourage the utility to become more cost-efficient and thus reduce its revenue requirements and customers’ bills, and
- b. at the same time, be rewarded with appropriate incentive mechanisms.

Note: HREA is wondering if the author is aware of any instances where this has been contemplated or tried, and what were the results.

2. **Straight-fixed variable rate design.** HREA finds the author’s discussion of the straight-fixed variable rate design to be interesting, in light of its potential simplicity in application. Actual implementation, however, may be perhaps politically unpalatable. Nevertheless, HREA encourages further discussion on this approach, and especially the “revenue-neutral energy efficiency” adjustment.

3. **Impact of Decoupling on the HCEI Goals.** As indicated in Appendix 1 of the NRRI report, Section 28 of the agreement (signed on October 25, 2008 by DBEDT, the CA, and HECO) regarding HECO’s commitments to support the Hawaii Clean Energy Initiative (HCEI”), includes the adoption of a “decoupling mechanism that closely tracks the mechanisms in place of several California electric utilities...”

At this point, HREA is uncertain whether following California's lead is a wise thing to do, but we are open to that discussion. That said, HREA encourages further discussion, including contributions from the NRRI author, to consider how the aggressive HCEI goals of 70% clean energy by 2030 might be facilitated by a decoupling mechanism, and specifically how the mechanism could not only benefit the utility but also the:

- a. Public Benefits Fund Administrator,
- b. Customer, and
- c. State.

DATED: February 10, 2009, Honolulu, Hawaii

  
President, HREA

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing HREA Comments on the NRRl Scoping Paper upon the following parties by hand-delivery and electronic service as follows:

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